Speculators demand more loot

The international banks are losing patience with the slow pace of Brazil's economic "opening."

In desperation, the Anglo-American establishment, given growing resistance to its plans to extend speculative mechanisms such as the secret financial accords in the North American Free Trade Agreement to the entire hemisphere, is strong-arming the governments of Ibero-America to move faster in opening up their economies for "free-trade" looting. This is the case here in Brazil, which during recent weeks has been the target of open threats from officials of the Clinton administration and representatives of the international banks, who are explicitly demanding that the country lift the remaining barriers to the free flow of international speculative capital.

The pressure against Brazil has dramatically increased since U.S. Treasury Secretary Lloyd Bentsen launched his "great offensive" in late October, to force open more markets to the penetration of U.S. financial institutions. In November, Assistant Treasury Secretary for International Affairs Jeffrey Shafer will be visiting Brasilia and other South American capitals to present Washington's demands. Countries that refuse to cooperate are being warned that the branches of their banks in the United States can expect reprisals.

During hearings of the U.S. Senate Banking Committee on the proposed Fair Trade and Financial Services Act on Oct. 26, Treasury Undersecretary Lawrence Summers alleged that the "current Brazilian legal framework presents a variety of problems for the operation of American financial institutions in the country." These "problems" are both quantitative and qualitative, he said; Brazil limits the number of branches a foreign bank can have in the country. According to Brazilian press reports, Summers also complained about regulations barring foreign institutions from engaging in certain financial transactions in Brazil. "Most pension funds belong to the public sector and are administered by public entities, which in practice, exclude foreign institutions from playing an important role in that area."

Similarly, according to *O Estado de São Paulo,* Citibank President John Reed complained, "Our problem in Brazil is the limit on the number of branches we can open." Besides Citibank, Chase Manhattan and Bank of Boston are the only U.S. banks allowed to engage in retail operations inside Brazil.

Brazil is also being urged to "dollarize" its economy. A proposal to that effect was made by Irma Adelman, a former World Bank aide now at the University of California. Speaking at an Oct. 19 seminar on economic liberalization sponsored by the University of São Paulo, Adelman proposed that all transactions be denominated in U.S. dollars, including the price of merchandise, wages, pensions, and public expenditures. This way, she said, the government would be forced to submit to fiscal discipline and the public sector could only engage in deficit spending if it could obtain the financing in dollars.

Adelman admitted that this would mean a loss of sovereignty, but she insisted that is the price that must be paid if Brazil is to avoid economic chaos.

Although President Itamar Franco reportedly rejected a government study team's proposal to establish a "currency board" that would issue a new currency linked to the dollar, inflation, which could surpass 40% per month by the end of this year, could force the adoption of some measure along these lines, in the view of several financial analysts. Some banks, including Citibank, have had an entire operational system for dollar deposit current accounts ready for months. "If this type of account gets approved by the government, we can have the product on the market the next day," said Helio Magalhaes, the bank's marketing director, the Nov. 1 *Jornal do Brasil* reported.

Although Washington is impatient with the pace of Brazil's economic opening, Treasury Minister Fernando Henrique Cardoso, on loan from the pro-drug legalization Inter-American Dialogue, is doing what he can to please international financial interests. During his visit to Washington at the end of September, Cardoso met with Bentsen, World Bank President Lewis Preston, and International Monetary Fund Managing Director Michel Camdessus. He assured them that the Brazilian government has prepared an extra-constitutional plan to implement the desired economic changes, including "fiscal adjustment" and stepping up the pace of the privatization of state-owned enterprises, in the event Congress further delays in reforming the Constitution.

Fulfilling Cardoso's promises, Franco in late October invoked measures to place the privatization program under the Treasury Ministry, and authorized state sales to foreign companies. Previously, foreign investors could only own a 40% share of privatized companies.